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INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE

C O N F I D E N T I A L SECTION 01 OF 02 STOCKHOLM 000032

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E.O. 12958: DECL: 01/10/2017

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SUBJECT: SWEDEN: HOW FM BILDT'S STOCK OPTIONS AFFECT HIS  
POLITICAL OPTIONS

Classified By: Polcouns Casey Christensen, reason 1.4 (b) and (d).

#### Summary and Comment

1. (SBU) Post-holiday headlines in Sweden have focused on Foreign Minister Carl Bildt and his recent decision to exercise options in a publicly traded Swedish company, Vostok Nafta, whose main holding is shares of the Russian energy giant Gazprom. Bildt resigned from the board of Vostok Nafta on becoming Foreign Minister. The options he had been granted in December 2004 and were set to mature two years later, on December 6, 2006 -- two months after Bildt joined the cabinet. Bildt cashed in the options in December, netting a profit of \$685,000. While the existence of the options was publicly acknowledged when Bildt's became Foreign Minister in October 2006, the options were exercised while he was serving, and during a period when the government was considering how to respond to a proposed trans-Baltic pipeline to be built by Nordstream, of which Gazprom owns 51 percent; the Nordstream gas line will pass close to Swedish territory. A prosecutor has subpoenaed documents relating to the options transaction and has said he could make a decision as early as next week regarding possible criminal proceedings related to allegations against Bildt of conflict of interest and possible "bribery." At the same time, the Parliament's Constitution Committee, which is chaired by a Social Democrat, is also taking up the options issue.

2. (c) Comment: Bildt, a former Prime Minister himself, has been the star of Prime Minister Reinfeldt's cabinet. At this juncture, his status in the government and his future prospects (including a rumored bid for Barroso's EU foreign policy position) will depend on the outcome of the legal and parliamentary investigations. Sweden does not have a tradition of politicians coming and going, as Bildt did, between the private and public sectors. The appointment of ministers is not subject to parliamentary scrutiny, and vetting has often been inadequate -- as Reinfeldt discovered when he lost two ministers to scandals (related to not paying television licensing fees and not paying taxes on household help) within his first month in office. Bildt's situation is different from those affairs, however, in that the stock options were disclosed and did not become a major issue until after they were exercised. The first hurdle Bildt will face is the prosecutor's report, which could come as early as next week. A government lawyer told us there is no clear Swedish precedent, and the outcome of the criminal inquiry cannot be predicted. If the prosecutor's report is favorable to Bildt, the issue will dissipate. If unfavorable, both the legal and parliamentary procedures could gain steam. End Summary and Comment.

#### Weighing the Options

3. (u) Sweden's Foreign Minister and former Prime Minister Carl Bildt has come under increasing pressure concerning his former stock options in Vostok Nafta, where he served on the board of directors before being named Foreign Minister. The

options were exercised in December 2006, giving Bildt a pre-tax profit of \$685,000. Vostok Nafta,s capital consists predominantly of shares in the Russian gas monopoly Gazprom.

¶4. (u) On January 8, Chief Prosecutor Christer van der Kwast told the leading daily Svenska Dagbladet that he was conducting a preliminary investigation concerning Foreign Minister Bildt's stock options in Vostok Nafta, reviewing how Bildt had declared his holdings. The preliminary investigation will determine whether there are grounds for a criminal investigation against the Foreign Minister for "inappropriate benefits."

¶5. (u) Van der Kwast told Svenska Dagbladet "I am sure that I can obtain evidence from the (subpoenaed) documents that can be the foundation of a decision as to whether there is to be a criminal investigation or not." Questioned on the possibility of a criminal investigation Kwast said "...a possible suspicion is bribery. That there is an impropriety in a legal sense, an improper benefit to Carl Bildt from the company in his new capacity as a Government minister."

¶6. (u) Although the matter attracted noticeable media attention following Bildt's appointment in October of last year, the revelation on January 8 that Chief Prosecutor Christer van der Kwast was conducting a preliminary investigation catapulted the affair to the top of the headlines. The Chief Prosecutor indicated on January 9 that the decision whether to proceed with criminal investigations may be postponed until next week.

¶7. (u) One key problem Bildt faces is that a board decision was required to authorize Bildt to exercise the options after

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he left the company and was serving a Foreign Minister. A Vostok Nafta said, however, that five former board members who had earlier left the board were also granted such rights.

Since Vostok Nafta released this information the opposition's criticism appears to have toned down somewhat. Peter Eriksson, leader of the Green Party, who called for Bildt,s resignation on January 7, has taken a less harsh line in his latest statements.

¶8. (u) On January 10 the leading daily Svenska Dagbladet wrote that Bildt participated in a Government decision on November 9 to allow Peter Gaz, a Gazprom subsidiary, to continue investigating the possibility of a pipeline in the Baltic, and that it was unclear whether the conflict of interests had been properly addressed beforehand. In the article Bildt,s spokesman says that this decision was a collective cabinet decision and that it is routine to consider potential conflicts of interests.

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